

Kentucky Council on Postsecondary Education Policy Brief

COLLEGE STILL PAYS



Highlights

- > 56 percent of Kentucky's jobs are projected to require some college in 2020.
- While every person should have a high school diploma or GED, if that is all you have, you are twice as likely to be unemployed as someone with a bachelor's degree.
- Incomes for those with just some college but no degree are 15 percent higher in Kentucky than for those with a high school diploma or GED.
- Kentucky job incumbents with a bachelor's degree increased 80 percent in nearly two decades, while those with a high school degree or less decreased 11 percent.

Questions?

Jonathan Gagliardi, Ph.D. Senior Associate Kentucky Council on Postsecondary Education Jonathan.Gagliardi@ky.gov 502-573-1555, ext. 368 http://cpe.ky.gov

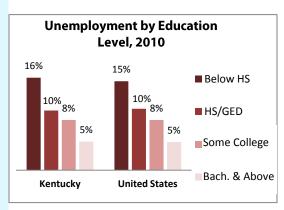
By Jonathan Gagliardi, Ph.D. and Heidi Hiemstra, Ph.D.

Headlines that point to rising student loan debt, tuition costs increasing faster than inflation, and recent graduates without jobs have led some to question the value of a college education. The cost of higher education is especially troubling as Kentuckians struggle with the economic setbacks of the recent recession. However, a look at the longer-term returns on college certificates and degrees reveals that now, more than ever, it pays to get a college degree or credential.

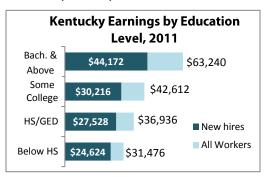
More Work, Higher Incomes

The return on investment for postsecondary education continues to be high; higher levels of education insulate citizens from unemployment and improve access to higher-paying jobs.

Employees with a high school diploma or GED are twice as likely to be unemployed than those with a bachelor's degree. The disparity is even greater for those without a high school diploma, who are three times more likely to be unemployed than baccalaureate degree recipients. While Kentucky has slightly higher unemployment rates than the nation, these same gaps can be seen across the United States.1



A college education also leads to higher earnings. The last decade has seen a stable earnings gap between more- and less-educated workers. In 2002, Kentuckians with a high school diploma or GED earned 56 cents for every dollar earned by those with a bachelor's or higher degree, and 86 cents for every dollar earned by those with some college or an associate degree. In 2011, the earnings of high school graduates relative to the more educated were 58 and 87 cents respectively.2



The education earnings gap can be seen in long-term workers and new hires. A new employee with some college or an associate degree earns \$2,700 more on average than someone with a high school or equivalent degree, and those with bachelor's or higher degrees earn \$16,600 more.3

This pay difference adds up over a lifetime. Using an annual wage increase of 1 percent over a 40-year career, Kentuckians with some college or an associate degree are projected to earn an additional \$289,000 compared with high school graduates. Bachelor's degree recipients are expected to earn an additional \$879,000, and people with a graduate degree can anticipate an additional \$1.34 million in earned income.4

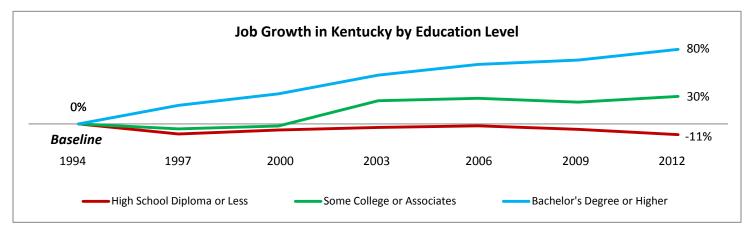
Page 1 January 2013

Changing Labor Demand

Manufacturing jobs that require lower levels of education remain the largest industrial segment in Kentucky, but jobs requiring at least some college have been growing rapidly. It is estimated that 56 percent of Kentucky's jobs will require some college in 2020. This lags behind the 65 percent projection of jobs that will require some form of postsecondary education nationally.⁵

Education Benefits All

Increased education is associated with lower poverty rates, better health outcomes, less reliance on public assistance, and less crime. A more educated population will reduce the demands on the state budget and increase revenue. To reap these benefits, however, Kentucky must continue its efforts to improve postsecondary attainment.



Kentucky's workforce is also becoming more educated. Since 1994, the number of employed people with a baccalaureate degree increased 80 percent, and those with some college or an associate's degree increased 30 percent. Meanwhile, the number of Kentucky employees with a high school diploma or less decreased 11 percent. These numbers do reflect some "upskilling" of jobs—the growth in educational attainment required for employment based on technological advances—as overall education levels increase. However, when the unemployment gap is also considered, it is clear that the job market increasingly is calling for education beyond high school.

What about the Cost?

The return on the investment in a college education is easy to demonstrate, but paying for it can be difficult for students and their families. While the sticker price of college has never been higher, significant financial aid is offered to help students overcome financial challenges. In 2011, low-income students in Kentucky received an average of \$1,622 in grants beyond the cost of tuition, fees, and books to help pay for living expenses.⁷

As with any significant investment, the cost of a college education must be weighed carefully against the anticipated return. But for students who keep borrowing to a minimum and successfully complete a certificate or degree, the return on the investment in a college education has never been higher.

According to the National Center on Higher Education Management Systems (NCHEMS), reaching the national average in educational attainment levels would be an ambitious, yet reachable goal with high payoffs.

Matching national levels will require 43 percent of Kentucky adults to have an associate or bachelor's degree by 2025, which would mean an additional 66,800 degree holders in Kentucky's labor force.

A college education has transformative powers for Kentucky's citizens and for the Commonwealth. Increasing educational attainment while maintaining affordability is the key to unlocking a brighter future for Kentucky.

Notes

- ¹ Bureau of Labor Statistics (BLS), Employment status of the civilian non-institutional population 25 years and over, by educational attainment, 2010 annual averages, 2010.
- ^{2,3} Quarterly Wage Indicator (QWI) online data 2011, U.S. Census Bureau, Center for Economic Studies.
- ⁴ Authors' estimates using American Community Survey (ACS) data (2010).
- ⁵ Carnevale and Smith, *A Decade Behind: Breaking out of the Low-Skill Trap in the Southern Economy*. Georgetown University Center on Education and the Workforce, 2012.
- ⁶ Authors' estimate using Current Population Survey (CPS) data (1994-2012). Employment includes those classified as Employed-at work. Each year is an average of Jan., Apr., and Aug. data.
- ⁷ Stronger by Degrees 2010-11 Accountability Report, Council on Postsecondary Education, 2012. Source: CPE Comprehensive Database (KPEDS).
- ⁸ Education Pays, The College Board, 2010.
- ⁹ Kelly, Patrick, *Realizing Kentucky's Educational Attainment Goal*, NCHEMS, 2011.

Page 2 January 2013